

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 706** HLS 16RS 871

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 22, 2016	1:56 PM	<b>Author:</b> HODGES
<b>Dept./Agy.:</b> LA Education Quality Trust Fund		<b>Analyst:</b> Alan M. Boxberger
<b>Subject:</b> Allows for use of a portion of the Education Quality Trust		

FUNDS/FUNDING

OR INCREASE SD EX See Note

Page 1 of 1

Allows for a use of a portion of the Louisiana Education Quality Trust Fund when there is a projected deficit

Present law establishes the LA Education Quality Trust Fund (the "Permanent Trust Fund") and deposits certain mineral revenue from the Outer Continental Shelf owed to the state from the US government, known as 8(g) monies, and requires that 25% of recurring mineral revenue, 25% of interest income, and 75% of capital gains be deposited into the fund. Present law prohibits any appropriation out of the Permanent Trust Fund. Proposed law authorizes the use of up to 10% of the Permanent Trust Fund if there is a deficit in the current year due to a decrease in the official forecast, and also authorizes the use of up to 10% of the Permanent Trust Fund if the official forecast of recurring money for the next fiscal year is less than the official forecast of such money in the current year, and limits the use of the fund to offset any reductions in expenditures for elementary, secondary and higher education purposes. Proposed law requires consent by concurrent resolution of 2/3 of elected members in each house prior to utilization of the Permanent Trust Fund and limits the amount that can be used in the current and subsequent fiscal year to 10% of the fund balance at the beginning of the current year.

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law may result in an increase of statutory dedication expenditures from the LA Education Quality Trust Fund (Permanent Trust Fund) for elementary, secondary and/or higher education purposes to the extent the legislature authorizes the use of such fund balances when the state is in a deficit posture. Proposed law does not specify how the funds shall be allocated between K-12 and higher education agencies if in the event those entities realize a reduction of expenditure authority due to a projected deficit.

As of 1/27/16 the Permanent Trust Fund balance totaled \$1,199,940,825. Deposits between 2010 and 2016 totaled approximately \$198 M (\$30.6 M royalties and \$167.1 M investment earnings). Authorization of appropriations from the Permanent Trust Fund as the result of a projected deficit would make up to \$120 million available to replace decreasing appropriations to elementary, secondary and higher education.

**REVENUE EXPLANATION**

To the extent that the LA Education Quality Trust Fund (Permanent Trust Fund) are utilized pursuant to the provisions of proposed law, realized capital gains, recurring revenues and dividend income earned on investment of the Permanent Trust Fund and deposited into the LA Education Quality Trust Fund for appropriation would be reduced by an indeterminable amount. LEQTF funds may be used only for educational purposes and are allocated 50% to elementary and secondary education and 50% to higher education. Current appropriations are approximately \$25 M each. The Board of Regents uses funds to operate four constitutionally authorized programs. The Board of Elementary and Secondary Education (BESE) distributes approximately \$23.5 M to local school systems for approved programs. Shrinking the corpus in the Permanent Trust Fund would result in a decline in investment revenues available for appropriation.

Allowing withdrawals from the trust fund would extend the time it will take the fund to reach the \$2 B fund balance, at which time deposits of recurring revenues would revert to the state general fund. This impact to the SGF is anticipated to occur beyond the time period reflected above.

Senate                      Dual Referral Rules                      House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*

**Evan Brasseaux**  
**Staff Director**